

Message Text

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14

ACTION EB-07

INFO OCT-01 EA-09 NEA-10 ISO-00 L-03 OES-06 FEA-01 CIAE-00

INR-07 NSAE-00 STR-04 CIEP-02 OMB-01 ITC-01 TRSE-00

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P R 200936Z JUL 76

FM AMCONSUL BOMBAY

TO AMEMBASSY NEW DELHI PRIORITY

INFO SECSTATE WASHDC 6601

AMEMBASSY TOKYO

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS BOMBAY 1878

E. O. 11652: N/A

TAGS: EINV, BTIO, IN

SUBJ: REQUEST FOR INFORMATION ON TAXES ON ROYALTIES EARNED
BY FOREIGN FIRMS

REF: NEW DELHI 4123

1. MR. T. HOWARD PETERS, V.P. & GEN. MGR., ARCO FAR EAST LTD., SWEDEN CENTER BLDG., 6-11-9 ROPPONG, MINATO-KU, TOKYO 106, A SUBSIDIARY OF ATLANTIC RICHFIELD CO. (ARC), LOS ANGELES, CALIFORNIA, PERSONALLY REPORTED TO US THAT ARC IS NEGOTIATING A ROYALTY AGREEMENT (ON LUMP SUM PAYMENT BASIS) WITH SAVITA CHEMICALS PVT. LTD., BOMBAY, FOR TECHNICAL KNOW-HOW TO MANUFACTURE CERTAIN PETROLEUM LUBRICANTS.

2. IN THIS CONNECTION, PETERS SHOWED US A LETTER FROM SAVITA TO ARC WHICH, INTER ALIA, STATED "REGARDING THE LICENSE FEE WE HAD MADE A PROVISION FOR A TOTAL OF \$150,000 IN OUR LICENSE APPLICATION TO THE INDIAN GOVERNMENT. CURRENTLY THE INDIAN GOVERNMENT LEVY A TAX OF 20 PERCENT ON PAYMENT OF ROYALTY LICENSE FEE ETC. TO FOREIGN
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COLLABORATORS. ON THIS BASIS WE SHOULD BE ABLE TO PAY

ATLANTIC RICHFIELD A NET OF \$120,000."

3. IN PETERS' DISCUSSIONS WITH SAVITA OFFICERS, THE LATTER REITERATED THAT TAX LIABILITY OF FOREIGN FIRMS UNDER ROYALTY AGREEMENTS CONCLUDED AND APPROVED BY GOI AFTER MARCH 31, 1976 IS 20 PERCENT ON LUMP SUM PAYMENTS. THEY REFERRED TO CLAUSE 20 OF THE INDIAN FINANCE BILL 1976 (NOW AN ACT) WHICH PROVIDED FOR A NEW CLAUSE 115A IN THE INDIAN INCOME TAX ACT WHICH SPECIFIES THE RELEVANT TAX PROVISION.

4. THOUGH PETERS' INDEPENDENT INQUIRIES WITH LOCAL SOURCES APPEAR TO CONFIRM SAVITA'S INTERPRETATION, HE HAS ASKED US FOR AN AUTHORITATIVS STATEMENT SETTING FORTH THE CURRENT TAX PROVISION FOR LUMP SUM ROYALTY PAYMENTS IN FOREIGN EXCHANGE TO FOREIGN COMPANIES. WE INFORMED HIM THAT WE WERE REFERRING HIS REQUEST TO THE EMBASSY.

5. ACTION REQUESTED: PLEASE OBTAIN A DEFINITIVE RULING ON THE SUBJECT INCLUDING PROVISOS, IF ANY, FROM APPROPRIATE INDIAN GOVERNMENT AUTHORITIES. SINCE PETERS WILL BE DEPARTING BOMBAY JULY 21, PLEASE CABLE YOUR FINDINGS TO SECSTATE FOR TRANSMISSION TO MR. R. L. JOHNSON JR., MANAGER, LICENSING, HARVEY TECHNICAL CENTER, ATLANTIC RICHFIELD CO., 515 SOUTH FLOWER ST., LOS ANGELES, CALIF. 90071 (CABLE: ATRICCO; TELEX: 067-7415) WITH INFO. TO AMEMBASSY, TOKYO (FOR PETERS).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, ROYALTIES, TAXES, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BOMBAY01878
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760278-0886
From: BOMBAY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760742/aaaabkpa.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 NEW DELHI 4123
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 22 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 MAR 2004 by ThomasVJ>; APPROVED <27 JAN 2005 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REQUEST FOR INFORMATION ON TAXES ON ROYALTIES EARNED BY FOREIGN FIRMS
TAGS: EINV, BTIO, IN
To: NEW DELHI
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006